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Documents Give Inside Look Into Arms Deals

Seized Papers, Tapes Tell of U.S. Sting Operation That Uncovered Scheme to Sell Weapons to Iran

By WILLIAM C. REMPEL and GAYLORD SHAW, *Times Staff Writers*

NEW YORK—Amid the dull noise of business lunches at the Grand Hyatt Hotel's darkly elegant Trumpets restaurant, three men at a back table spread out a world map dotted with 40 red stars. "Wars," explained a short, muscular man, jabbing a finger at the stars. "Conventional wars, wars of liberation, guerrilla wars . . ."

And opportunities, he added. For Abbott VanBacker, an entrepreneur in the business of selling arms and munitions, 40 wars meant 80 potential customers. "There are so many wars going on . . . there (is) a terrific amount of money to be made in it," he declared.

Focus on Red Star

It was the red star over the Persian Gulf, however, that commanded most attention at this unusual business conference—a meeting to discuss one of the largest private arms deals ever attempted in the United States, an order for \$2 billion in military weapons and spare parts for the revolutionary Iranian government of Ayatollah Ruhollah Khomeini in its war against Iraq.

VanBacker, 61, and his partner, Alan G. Harvey, 73, the men with the map, assured their potential customer—the customer would later recall—that they had a "golden spider web" of business and political associates. Members of "our team" could circumvent the U.S. ban on arms shipments to Iran, they said.

One part of the team, VanBacker contended, was a former Cabinet member. If there were any prob-

lems with federal authorities, he would "pull our chestnuts out of the fire," VanBacker said.

Matt Mattucci listened intently. Four days earlier he and his older brother, Nick, in a show of their own financial strength as middlemen representing Iran, had taken

VanBacker and Harvey to their private bank vault and displayed a 250-pound stack of hundred-dollar bills—the \$10 million VanBacker said he would need to bribe appropriate officials in the U.S. and abroad. But VanBacker and Harvey never completed the deal with the men they thought were the ayatollah's emissaries. Instead, they were snared in the biggest undercover sting operation ever conducted by the federal government's Bureau of Alcohol, Tobacco and Firearms.

The tall, dark and glib Matt Mattucci turned out to be ATF special agent Matthew Raffa. His brother, Nick, was Nicholas Angell, a high-ranking ATF official who, nearing retirement, ignored orders from Washington and went undercover to direct the sting. And their \$10 million was briefly borrowed from the Federal Reserve at a cost of \$35,000 a day in interest.

Arms Shipment Halted

VanBacker and Harvey never got their hands on the down payment. Although they told the undercover team they had located supply sources for much of the \$2-billion order, they never had any of the weapons shipped before federal agents arrested both men and a partner on charges of conspiracy to illegally export arms to Iran.

The story of the deal—pieced together from previously confidential investigative reports, prosecutors' files, seized business documents and hundreds of hours of secretly recorded tapes stored in Bayonne, N.J., at the Federal Archives and Records Center—offers an exceptionally detailed glimpse of the world of private arms merchants.

The underground arms business has boomed in recent years. Although the sting involved more arms than the United States supplies to either Israel or Egypt in a

typical year, no one seemed surprised by its size. Since 1979, arms merchants for the ayatollah had tapped into sources as diverse as surplus stores, defense contractors and America's own military supply depots to gain what U.S. authorities call "alarming access" to American military equipment, everything from missiles to nuts and bolts.

According to ATF statistics, prosecutions of illegal arms export cases in the last year more than doubled over 1983-84—a tribute both to Iran's presence in the arms black market and to successful undercover investigations by ATF, the FBI and the U.S. Customs Service. "But we're only scratching the surface," one veteran investigator said. "We're not hurting the bad guys—not really."

Documents from the VanBacker case present a picture of both legitimate and illicit deals, of lucrative opportunities and elusive successes, of con men and businessmen, of intrigue and deception, of political connections and claims of governmental influence.

For example, the documents show:

—The arms merchants repeatedly claimed that their "paid legal consultant and adviser" was Robert B. Anderson, former Treasury secretary in the (Dwight D.) Eisenhower Administration and now a New York lawyer and international banker. The secretly recorded conversations were later played in VanBacker's federal trial. Anderson was not called to testify, but he later denied any involvement with VanBacker.

—VanBacker had business dealings unrelated to the Iran arms deal with Helen Delich Bentley, former chairwoman of the Federal Maritime Commission under President Richard M. Nixon and now a first-term Republican congresswoman from Maryland who at the time was running two export firms from her home and was seeking to supply 7.5 tons of fuses for tank grenades to Ecuador. Bentley told *The Times* that VanBacker was a business acquaintance with whom she also unsuccessfully sought to negotiate oil deals.

—Several of the arms dealers VanBacker and Harvey approached to supply portions of the shipment today face criminal charges over apparently unrelated allegations of arms export violations. They include Dan McLeod of San Diego, now under indictment in Florida; H. Leonard Berg of New